

Majority Message

U.S. SENATE REPUBLICAN CONFERENCE

Senator Rick Santorum, Chairman

Senator Kay Bailey Hutchison, Vice Chairman

Energy, Jobs, and Social Security



Wednesday, June 15, 2005

Highlights of the Bipartisan Energy Bill, S. 10

THE ENERGY BILL INCLUDES:

- An ethanol mandate requiring fuel manufacturers to use 8 billion gallons of ethanol in gasoline by 2012;
- An ambitious federal program to design and deploy clean coal technologies so America can continue to use its 250-year supply of coal while protecting our air and water;
- A hydrogen research program in conjunction with federal labs, universities, and auto manufacturers to design hydrogen cars;
- A federal loan guarantee program to encourage the design and deployment of innovative technologies and new energies that stabilize energy price and supply while protecting the environment;
- Streamlining of oil and gas development on existing federal lease sites to bring the fuels to market sooner;
- An ambitious efficiency and conservation program that sets first-time efficiency standards for 14 large appliances and raises the efficiency standards for others;
- Incentives to expand the production of energy from wind, solar, geothermal, and biomass sources;
- Provisions to encourage the expansion and modernization of the electricity grid as well a new federal reliability mandate designed to prevent future blackouts; and
- A fuel-savings provision requiring the federal government to devise a plan to save 1 million barrels of oil a day by 2015.

HOW THE ENERGY BILL MAKES A DIFFERENCE:

- According to the National Association of Manufacturers, passage of the energy bill will save nearly 2 million American jobs over the next decade.
- Efficiency provisions in the bill will shave between 10 and 40 percent off the anticipated growth of energy demand by 2015 (*Source: The Alliance to Save Energy*).
- These provisions will save 50,000 MW of peak electricity demand by 2020 (the equivalent of 170 300-MW power plants), according to the American Council for an Energy Efficient Economy.

- The ethanol mandate:
 - Reduces crude oil imports by 2 billion barrels and reduces the outflow of dollars largely to foreign oil producers by \$64 billion;
 - Creates 234,840 new jobs in all sectors of the U.S. economy;
 - Increases U.S. household income by \$43 billion;
 - Adds \$200 billion to GDP between 2005-2012;
 - Creates \$6 billion in new investment in renewable fuel production facilities; and
 - Will result in the spending of \$70 billion on goods and services required to produce 8 billion gallons of ethanol and biodiesel by 2012.

(Source: The American Farm Bureau)

Congress Must Pass A Comprehensive Energy Bill

If Congress had passed an energy bill four years ago when President Bush first called for one, consumers would not be struggling with high energy costs today. We are passing a comprehensive energy bill now so energy prices will be lower four years from now.

- In the last three years, crude oil prices have gone up 171 percent, according to the New York Mercantile Exchange (NYMEX). Gasoline prices have climbed 36 percent and diesel prices are up 55 percent, according to AAA.
- The cost of heating and cooling our homes has also climbed sharply. In three years heating oil prices have gone up 126 percent, the cost of coal has risen 128 percent, and the cost of natural gas has climbed 111 percent, according to NYMEX.
- If Congress doesn't pass a comprehensive energy bill now, energy prices will continue to climb, squeezing families and businesses.
- A poll last month by the Winston Group showed that 42 percent of those polled believed diversifying America's energy supply would lower energy prices.
- The bipartisan energy bill does precisely that. We diversify supply by stimulating the production of all energies. We increase the production of renewable energies from wind, solar, geothermal, and biomass sources. We also stimulate the production of nuclear power, clean coal, oil, and gas.
- By expanding production of all energies, we stabilize energy prices that climbed sharply in recent years due to tight supply.
- By producing more home-grown energy, we protect our economy and our energy prices from the impact of rising global demand.

Affordable Energy Creates Jobs

Abundant and affordable energy stimulates the economy and creates jobs. Every recession in the last century was preceded by a sharp rise in energy prices. Congress is acting now to pass an energy bill that will save nearly two million jobs, create hundreds of thousands of new jobs and ensure a vigorous and expanding economy.

- Manufacturing is a linchpin of the U.S. economy, generating nearly 15 million jobs in a wide range of industries from semiconductors to chemicals to food, pharmaceuticals and transportation. Manufacturing is also the largest consumer of energy in the country, accounting for nearly a third of all energy use and more if the transportation of manufacturing goods is included, according to the National Association of Manufacturers (NAM).
- If Congress doesn't pass a comprehensive energy bill and energy prices continue to climb, nearly two million jobs will be lost in the next decade, according to a study released this week by NAM.
- By 2020, 700,000 jobs will be lost in the manufacturing sector alone without an energy bill.
- The NAM study estimates manufacturers will pay 148 percent more for natural gas and 115 percent more for electricity by 2020 without an energy bill. Rising prices will force high-paying American jobs overseas unless Congress acts.
- Passage of an energy bill will also revitalize rural America. The ethanol mandate in the Senate energy bill will create 230,000 new rural jobs, according to the American Farm Bureau.
- The ethanol mandate will also displace as much as 2 billion barrels of imported crude oil, lower the U.S. trade deficit by \$67 billion, create \$51 billion in new farm income, and cut government farm payments by an estimated \$5.9 billion – all by 2012, according to the Farm Bureau.
- Other provisions in the energy bill will create jobs across all sectors of the economy. For example, the energy bill provides critical incentives for the expansion of wind energy. The incentives are expected to help create an estimated 5,000 MW of new energy from wind, according to the American Wind Energy Association. Each new MW of wind energy creates between 15-19 direct and indirect jobs, according to the European Wind Energy Association. So incentives for wind energy alone will help create nearly 100,000 jobs in the coming years.
- Incentives for clean coal, nuclear and hydrogen energy along with provisions for innovative technologies and hydrogen research are expected to create tens of thousands of strong paying jobs in fields ranging from mining and construction to engineering and science.

Conservation Provisions in S. 10

The energy and conservation provisions in the bipartisan energy bill go further than Congress has gone before to conserve energy and make sure the energy we use is used efficiently.

- The energy bill establishes first-efficiency standards for 14 commercial and residential appliances that traditionally use a great deal of energy, including commercial washers, refrigerators, air conditioners, freezers, and icemakers.
- These efficiency standards will not affect manufacturing jobs because they are based on consensus agreements between manufacturers and efficiency advocates.
- The efficiency provisions in the Senate bill will save 30 percent more energy than those in the House bill of 2003 Conference Report, according to the Alliance to Save Energy.
- The Alliance to Save Energy estimates the Senate energy bill will reduce growth in energy use over the next fifteen years by almost 10%. If the bill is fully funded, and voluntary programs receive full participation, it could reduce growth in energy use by almost 40%.
- The American Council for an Energy Efficient Economy estimates the efficiency standards will shave 50,000 MW off peak electricity use by 2020 – energy savings equal to 170 300-MW power plants.
- The energy bill also provides long-term authorization of Energy Savings Performance Contracts, a program which provides incentives for energy-saving improvements in federal buildings.
- This program has helped the federal government save 87 million MMBtu of energy since 1998. That equals the energy that would be used by 53,000 households in one year, according to the Department of Energy.
- The energy bill helps state governments save energy, too, by authorizing grants to states with up-to-date building codes to increase compliance with those codes.
- Finally, the energy bill authorizes a public education program to help consumers do more to save energy and lower their energy costs.

Promoting Energy Independence And Security

Recent Presidential Action

Recently, President Bush Delivered Remarks On Energy Policy At The Small Business Administration's National Small Business Week Conference In Washington, D.C. The President stressed the need to promote greater energy independence by harnessing the power of technology to create new sources of energy and make more efficient use of existing resources. The President outlined his broad vision for moving America toward greater energy independence and announced five new energy policy initiatives:

- The Department of Energy (DOE) will work to reduce uncertainty in the licensing process for new nuclear power plants and to provide Federal risk insurance to mitigate the additional cost of unforeseen delays.
- The Environmental Protection Agency (EPA) will simplify regulations to encourage the expansion of refining capacity, and Federal agencies will work with States and local communities to encourage the construction of new refineries on closed military sites.
- The President will call on Congress to make clear federal authority over siting of new Liquefied Natural Gas (LNG) terminals to increase supply and reduce prices.
- The President will support the extension of his proposed tax credits for energy-efficient hybrid and fuel-cell vehicles to include clean-diesel vehicles.
- The President will encourage the deployment of new and clean energy technologies in the developing world at the G-8 Summit in July.

Background: Our Growing Economy Requires Affordable, Reliable, And Secure Supplies Of Energy

Use Technology To Boost Domestic Energy Production. Over the past decade, America's energy consumption has increased by more than 12 percent, yet domestic production has increased by less than 0.5 percent.

- **Nuclear Power Can Provide For Tomorrow's Needs.** Technology has made nuclear power safer, cleaner, and more efficient, but America has not ordered a new nuclear power plant since the 1970s.
 - The President will encourage construction of new nuclear power plants. DOE will work on ways to reduce the risk of unforeseen delays in the nuclear plant licensing process by modifying existing law, and will also work to offer Federal risk insurance to partially cover the cost of unforeseen delays.
 - The President has launched the Nuclear Power 2010 Initiative, a seven-year effort by government and industry to design and license the first new nuclear plants.
 - The Bush Administration is also working with 11 other nations on the Generation IV Initiative to develop a safer, more cost-effective, and more proliferation-resistant source of nuclear electricity and hydrogen.

- **Expanding Refining Capacity.** Demand for gasoline is growing 3 1/2 times faster than the rate of refinery production, and there have been no new oil refineries built in the United States since 1976. The President will direct the EPA to simplify the regulations governing expansion of refining capacity at existing sites, in compliance with environmental laws. The President will also encourage the construction of new refineries on closed military sites, which will create jobs in these communities while producing cleaner fuels with advanced technologies.
- **Domestic Production Of Oil From ANWR.** Technology now makes it possible to reach energy resources in places such as the Arctic National Wildlife Refuge (ANWR) by drilling on just a 2,000-acre section of 19-million acres of land – less than one percent of ANWR’s total area. Production in this one small section of ANWR could eventually yield up to one million barrels of oil a day.
- **Natural Gas Offers New Opportunities.** Technology makes it possible to cool natural gas into a liquid form so it can be transported on tankers and stored more easily. President Bush will call upon Congress to make clear Federal authority over siting of new Liquefied Natural Gas (LNG) terminals to increase our supply of natural gas and reduce prices for farmers and manufacturers, helping them to create jobs and keep the economy growing.
- **Make Clean Use Of Our Coal Supply.** America has enough coal for 250 years, and the President’s Coal Research Initiative will develop and deploy new technologies that can remove virtually all pollutants from coal-fired power plants. Also, the President’s Clear Skies initiative will result in more than 52 billion dollars in investment in clean coal technologies.

Employ Technology To Create New Sources Of Energy. President Bush supports diversifying the nation’s energy supply to promote energy independence, including renewable resources such as wind, solar, and geothermal energy.

- **Hydrogen And Fuel Cells.** Two years ago, the President launched his Hydrogen Fuel Initiative to develop hydrogen-powered fuel cells that can power a car, emitting pure water instead of exhaust fumes. With investment now, it will be possible for today’s children to take their driver’s tests in completely pollution-free cars in the future. The President’s Nuclear Hydrogen Initiative is developing advanced technologies that will work with Generation IV reactors to produce the hydrogen fuel these cars of the future will need.
- **Renewable Ethanol And Biodiesel.** President Bush has consistently supported a flexible national Renewable Fuel Standard that will expand the use of ethanol and biodiesel, creating new markets for farm products and greater energy security. Advanced technologies under development will make it possible to produce renewable ethanol from agricultural and industrial waste at a cost competitive with today’s gas prices.
- **Renewable Electricity Sources.** President Bush has proposed \$1.9 billion over 10 years for renewable-energy tax incentives, including incentives for renewable electricity from wind, biomass, and residential solar energy systems.

Use Technology To Improve Conservation And Efficiency. Technological advances provide products that offer consumers better performance at lower costs while using less energy.

- **Promote Residential Efficiency.** The average American family used half as much energy to heat a home in 2001 as it did in 1978, and technology offers the possibility of a “zero-energy” home. President Bush will remain committed to research promoting advances in energy efficiency.
- **Extend Tax Incentives For Energy-Efficient Vehicles.** President Bush has already proposed \$2.5 billion over 10 years in incentives for energy-efficient hybrid and fuel-cell vehicles. Building on the success of his Administration’s efforts to reduce emissions from diesel engines and fuels, the President will support a new generation of modern, clean-diesel cars by making these vehicles eligible for his proposed tax credits.

Use Technology To Reduce Stress On Energy Markets. The market for energy is a global one, and America is not the only consumer. Today’s energy price increases directly result from the fact that both U.S. and foreign demand is growing at a faster rate than the global supply of energy.

- **Help Foreign Partners Become More Energy Self-Sufficient.** The President will discuss how to encourage the use of new energy technologies in the developing world at the G-8 Summit in July. By forming partnerships with other countries to develop new sources of energy, and by encouraging wider use of technologies like clean coal and nuclear power, the United States can assist other countries in becoming more energy self-sufficient, resulting in lower prices and larger energy supplies for everyone.

Taking Action to Create and Protect Jobs in the 109th Congress:

Senate Republicans are Creating Jobs for Americans Through a Jobs Creation and Retention Agenda

- Reduce the tax burden on American taxpayers and businesses – Extend the lower dividend and capital-gain tax rates and the higher small business equipment expensing provisions through 2010, while working to repeal the death tax.
- Energy Bill – Allow American businesses the opportunity to provide reliable and affordable supplies of energy to meet America's growing needs while reducing its dependence on foreign sources of energy.
- Highway Bill – Senate Republicans have passed a bill to provide equitable and reliable funding for necessary infrastructure projects.
- Free Trade Legislation – Approve negotiated agreements that bolster the U.S. economy and expand American job opportunities.
- Trade Promotion Authority – Extend the President's authority to negotiate additional trade agreements to open world markets for American businesses and consumers.
- Asbestos Bill – Pass asbestos reform that will save American jobs and help injured workers. Target help to those workers injured by asbestos and protect businesses from frivolous lawsuits.
- Class Action Reform – Senate Republicans passed and President Bush signed into law S.5, the Class Action Fairness Act of 2005, which will reduce junk lawsuits by streamlining the legal process to ensure that injured Americans receive compensation.
- Welfare Reform Reauthorization – Build on the success of previous welfare reform by expanding work opportunities and strengthening families.
- Workforce Investment Act – Provide American workers with enhanced opportunities to receive training for new and better jobs.
- Workplace Flexibility – Permit employers to establish voluntary compensatory and flexible time policies to give employees more choices.
- Enhanced Workplace Safety – Reform OSHA to increase compliance, reduce wasteful expenses and cut bureaucratic red tape in order to help minimize workplace accidents.
- Higher Education Reauthorization – Support accessibility and affordability of higher education for all students, and stronger links between post-secondary institutions and businesses.

78,000 Jobs Created In May — 24 Straight Months of Job Gains

Over 3.5 Million Jobs Created Since May 2003

Jobs Data Shows The President's Economic Policies Are Driving Steady Job Growth

- **The Government Has Released New Jobs Figures – 78,000 New Jobs Created In May.** Payroll employment rose by 78,000 in May, and the economy has created over 3.5 million jobs since May 2003. We have seen steady job gains for each of the last 24 months – and more Americans are working than ever before.
- **The Unemployment Rate Fell To 5.1 Percent In May, The Lowest It Has Been Since September 2001.**

The Economy Continues To Grow

- **Last Quarter's Growth Figures Have Been Revised Upward.** The U.S. economy grew more vigorously in the first quarter than originally thought, expanding at a 3.5 percent annual rate. For the past two years, the U.S. economy has grown faster than the economies of any other major industrialized nation.
- **Home Sales Surge To All Time High.** Sales of existing U.S. homes climbed 4.5 percent in April, according to the National Association of Realtors. In 2004, home prices posted the biggest annual gain in 25 years as mortgage interest rates remained low. Homeownership is near record levels, with 69.1 percent of American families now owning their own homes.
- **Construction Spending Rises To Record Levels.** The Commerce Department announced construction spending rose 0.5 percent in April on the heels of a surge in office construction and record high activity in the housing market. Building activity reached a seasonally adjusted annual rate of \$1.067 trillion.
- **Consumer Confidence Grew In May.** The New York-based Conference Board reports that their Consumer Confidence Index rose to 102.2, up from 97.5 in April. Consumer spending accounts for two-thirds of all U.S. economic activity.
- **U.S. Manufacturing Continues To Expand.** For the 24th consecutive month, U.S. manufacturing expanded in May.

The President's Second-Term Agenda To Create More Jobs And Grow The Economy

- **President Bush Believes The Growing U.S. Economy Requires Affordable, Reliable, And Secure Supplies Of Energy.** President Bush has urged Congress to move America toward greater energy independence by enacting a national energy policy. He has recently highlighted new and clean energy technologies at a biodiesel facility and hydrogen fueling station.

- **Social Security Reform Is Needed To Protect Job Growth And The Economy.** Economists calculate that if we take no steps to reform Social Security, the government will have to increase payroll taxes to more than 18 percent of a worker's wages to ensure our children and grandchildren receive their scheduled benefits. President Bush has proposed a plan to address the funding problems facing Social Security without increasing the payroll tax rate.
- **President Bush Strongly Supports The U.S. – Central American – Dominican Republic Free Trade Agreement (CAFTA).** CAFTA will open up new markets for American goods by reducing hefty tariffs and leveling the playing field for American workers. The U.S. Chamber of Commerce predicts U.S. sales to the region could expand by more than \$3 billion in the first year, and the American Farm Bureau estimates U.S. farm exports could grow by \$1.5 billion per year.
- **The President Has Put Forth An Ambitious Agenda To Ensure That America's Economy Remains The Most Prosperous In The World.** To accomplish this, the President is working with Congress to pass legislation that promotes economic growth – including making his tax cuts permanent, restraining spending by the federal government and cutting the federal deficit, reducing unnecessary regulation, making our country less dependent on foreign sources of energy, expanding trade, protecting small business owners and workers from frivolous lawsuits, and lowering the cost of health care for all Americans.

Promoting Trade With Central America And The Dominican Republic

President Bush Strongly Supports The U.S. – Central American – Dominican Republic Free Trade Agreement (CAFTA) Because It Will Promote Freedom And Democracy And Expand Economic Opportunity And Security In Our Hemisphere.

CAFTA Will Advance Democracy, Strengthen Security, And Promote Prosperity In Central America And The Dominican Republic.

- CAFTA Is Essential To The Stability Of America's Neighbors. The young democracies of Central America still face forces opposed to democratic government and economic freedom, such as the leaders of Cuba and Venezuela. By supporting CAFTA, the United States can stand with those in the region who stand for democracy and freedom, who are fighting corruption and crime, and who believe in the rule of law.
- CAFTA Is Essential To U.S. Influence in the Region. CAFTA, by integrating the Central American economies together with our own, will strengthen America's influence in the region. Failure to move forward with CAFTA could create a vacuum that China, with its growing economic weight, might use to expand its political influence in the region.

CAFTA Will Benefit American Workers, Farmers, And Ranchers By Leveling The Playing Field And Opening Up New Markets.

- Expanded Trade Opportunities Will Improve Life In Central America And The Dominican Republic. CAFTA will buttress democratic reforms, give the United States more leverage in improving labor conditions, and boost economic growth throughout the region.
- CAFTA Will Level The Playing Field For American Workers, Farmers, And Ranchers. Eighty percent of imports from Central America and the Dominican Republic, including 99 percent of agricultural imports, already enter the United States duty free. CAFTA will level the playing field by reducing hefty tariffs and burdensome regulations.
- American Sales Will Grow By Billions. CAFTA will allow the people of Central America and the Dominican Republic to buy even more from the United States across a broad range of agricultural, manufacturing, and service sectors. The U.S. Chamber of Commerce predicts U.S. sales to the region could expand by more than \$3 billion in the first year, and the American Farm Bureau estimates U.S. farm exports could grow by \$1.5 billion per year.
- U.S. Manufacturers Also Stand To Gain. CAFTA will instantly eliminate tariffs on 80 percent of U.S. manufactured goods, and the remainder of tariffs will be phased out within a few years. As a result, manufacturers and workers will benefit from increased sales of information technology; farm, construction, medical, and scientific equipment; paper products; and pharmaceuticals.

- **CAFTA Will Cut Foreign Taxes For U.S. Products.** U.S. businesses export more than \$15 billion per year to Central America and the Dominican Republic, but because of high tariffs, U.S. companies and farmers pay out more than \$1 billion per year in foreign taxes to do business in that region. CAFTA would be a tax cut for our small businesses and farmers.
- **CAFTA Will Help The United States Compete.** America exports more to the six nations participating in CAFTA than to Russia, India, and Indonesia combined. By removing tariffs and other barriers, CAFTA makes trade between the United States and participating countries less expensive.

CAFTA Will Strengthen The Western Hemisphere And Allow Us To Better Compete In The Global Economy.

- **CAFTA Marks The Foundation Of A Lasting Partnership.** In Europe and Asia, many nations have organized to reduce the cost of doing business by consolidating their economies. CAFTA will help further integrate the western hemisphere so U.S. companies are in a better position to compete against foreign competitors in markets around the world.
- **CAFTA Will Strengthen The U.S. Textile Industry's Ability To Compete.** Most apparel manufactured in Central America and the Dominican Republic uses American materials. Everything from the fabric to the thread to the elastic is made by workers in the United States. According to a recent poll by the American Apparel and Footwear Association, without CAFTA, more than 53 percent of apparel investors in Central America say they will go elsewhere to buy these raw materials. CAFTA will keep these manufacturing jobs in our region.

Strengthening Social Security For Those In Need

Presidential Action:

The President Has Laid Out His Vision For Moving Forward With Bipartisan Social Security Reform. The American people understand that Social Security is headed for serious financial trouble and the President believes it is our duty to make Social Security permanently solvent. The President also believes it is our responsibility to improve the system by directing extra help to those most in need and making it a better deal for younger workers.

As Congress Begins Work On Legislation, The President Outlined Three Goals: ensure that future generations receive benefits equal to or greater than today's seniors; protect those who depend on Social Security the most; and replace the empty promises being made to younger workers with real money.

The President Made Clear That Some Things Will Not Change. Seniors and people with disabilities will continue to get their checks, and all Americans born before 1950 will also receive their full benefits.

Background: A Reformed System that Strengthens Social Security For Those In Need

Future Generations Receive Benefits Equal To Or Greater Than Today's Seniors. Under any plan to reform Social Security, future generations should receive benefits equal to or greater than the benefits that seniors receive today.

- **Millions Of Americans Depend On Social Security As A Primary Source Of Income.** As a matter of fairness, the fundamental promise of Social Security must be kept.

Protect Future Generations Who Depend on Social Security The Most: President Bush has made it clear that we must provide extra help to those future seniors who need it most.

- **Benefits Should Grow Faster in the Future For Low-Income Workers Than For Those Who Are Better Off.** Under a reformed system, low-income workers should receive benefits that grow faster than inflation. In order to return the system to solvency, the benefit increases for wealthier seniors should grow no faster than the rate of inflation. This would be accomplished by adopting a sliding-scale benefit formula, similar to the Pozen approach.
- **Eliminate Poverty Among Future Seniors.** Today, roughly two million retirees who paid into Social Security their whole lives are collecting benefits that leave them below the poverty line. The President believes we should make good on a great national commitment: if you work hard and pay into Social Security your entire life, you will not retire into poverty.

- **This Reform Would Solve Approximately 70 Percent Of The Funding Problems Facing Social Security.** A responsible, reasonable and sustainable rate of benefit growth for wealthier seniors will help return the system to fiscal balance and would enable us to help those seniors in the greatest need.

Replace The Empty Promises Being Made to Younger Workers With Real Money. Younger workers should have the option of putting a portion of their payroll taxes into a voluntary personal account which will allow them to build a nest egg that belongs to them. This money will give workers an opportunity to receive a higher rate of return than the current Social Security System can provide.

- **Voluntary Personal Accounts Should Include The Risk Free Option Of Investing In Treasury Bonds.** Voluntary personal accounts should include an investment option that allows workers to invest in U.S. Treasury bonds, which have no risk. Workers who have reservations about investing in the markets will still be able to rely on a Social Security check that is equal to or higher than today's retirees.

The President Will Continue To Work With Congress To Find A Solution To Social Security That Is Sensible, Permanent And Fair. Social Security is too important to pass this problem on to the next generation. The President has committed to work with both the House and Senate in a bipartisan way as they take the next steps in the legislative process.

Strengthening Social Security For Rural America

Recent Presidential Action:

Recently, The President Visited Hopkinsville, Kentucky, Where He Discussed The Importance Of Social Security Reform For Rural America. President Bush stressed the need to reform Social Security to ensure its fundamental promise is kept and no American who works a full lifetime retires into poverty.

Background: Strengthening The Social Security Safety Net For Rural America

Low-Wage Rural Workers And Farmers Need Social Security Reform That Offers Higher Rates Of Return, Ownership, And Inheritability.

- **Social Security Reform Should Protect Farmers.** Many farmers are self-employed small-business owners who are responsible for both the employer and employee portions of the 12.4 percent payroll tax. Increasing the payroll tax rate in a misguided effort to fix the Social Security system would hit them the hardest.
- **Farmers Will Benefit From The Inheritability Of Voluntary Personal Retirement Accounts.** Because many farms are family owned and operated, voluntary personal retirement accounts will be of special benefit to farmers and their families. Unlike current Social Security benefits, voluntary personal retirement accounts within the Social Security system are inheritable. So if someone passes away with money left in a personal account, that money can go to that individual's spouse or children, which will help keep the farm running and keep control within the family.

The President's Proposal Will Protect Future Generations Who Depend On Social Security The Most And Will Provide Higher Benefits Than The Current System Can Afford To Pay.

- **Tomorrow's Seniors Will Get More Than Today's Seniors Receive.** Under the President's Social Security proposal, future benefits will continue to grow. The benefits of low- and middle-income retirees will grow faster than inflation while the benefits of the highest-income retirees will grow no faster than the rate of inflation.
- **Doing Nothing Means Lower Benefits For Low-Income Workers.** By adopting progressive indexing and allowing young workers to create voluntary personal retirement accounts within the Social Security system, the President's plan provides younger workers with real money instead of the current system's empty promises. Without Social Security reform, benefits for younger workers will have to be cut 30 percent across-the-board.

- **Progressive Indexing Offers Greater Benefits To Those Most In Need.** A progressive indexing approach, such as Robert Pozen's, would give a low-income 20-year-old who retires in 2050 annual benefits of \$12,900, or \$3,500 more than the current system can pay. A middle-income 20-year-old would get \$17,300 under Pozen's approach, or \$1,800 more than the current system can pay. These figures exclude income from voluntary personal retirement accounts. Expected benefits for account holders would be even higher.
- **Voluntary Personal Retirement Accounts Offer Low-Wage Americans Higher Rates Of Return.** With a voluntary personal retirement account, a 21-year old single mom earning eight dollars an hour over her lifetime could build a nest egg of more than \$100,000 when she retires. This is in addition to the traditional Social Security benefit she will receive. Besides a no-risk option of investing in U.S. Treasury bonds, the accounts could be invested only in secure bond and stock-index funds, including a life-cycle fund designed to protect workers from sudden market changes on the eve of their retirement.
- **Progressive Indexing Would Put Social Security On The Path To Fiscal Balance.** By adjusting how benefits are calculated, progressive indexing would eliminate nearly 70 percent of Social Security's shortfalls.